

**STATEMENT OF MORTIMER L. DOWNEY
DEPUTY SECRETARY OF TRANSPORTATION
BEFORE THE
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FEBRUARY 23, 1995**

**THE NATIONAL HIGHWAY SYSTEM
AND
DOT's FY 1996 FEDERAL-AID HIGHWAYS BUDGET**

Good afternoon, Mr. Chairman and Members of the Committee. I am very pleased to be here today to discuss three of the Clinton Administration's top transportation priorities --consideration of our FY96 budget requests, designation of the National Highway System (NHS), and reinvention of the Department of Transportation. These three initiatives go hand-in-hand; for as our Department moves to transform itself for the next century, the NHS will play a key role in advancing our core missions of safety, infrastructure investment, and national security. Indeed, the NHS will be a strong and integral part of our increasingly intermodal approach to transportation.

Secretary Peña regrets that he is unable to be here today, but, at your request, I am glad to appear with three of the Department's modal Administrators: Federal Highway Administrator Rodney Slater; Federal Transit Administrator Gordon Linton; and National Highway Traffic Safety Administrator Ricardo Martinez. I think this also shows our support for intermodalism and for strengthening the links between safety and infrastructure.

DESIGNATION OF THE NATIONAL HIGHWAY SYSTEM

Mr. Chairman, we have today an historic opportunity, akin to the one we faced in the 1950s when we debated the creation of the Interstate Highway System. We seized the moment then, and the varied parts of our country were brought together as never before in our history. Designation of the National Highway

System presents us with the next great opportunity. We now have the chance, by completing designation of the NHS, to address the intermodal transportation needs of the American people and the American economy as we enter the new century. If we should fail, over six billion dollars in Federal highway funds will be frozen as of October 1, and the Nation will lose a powerful tool in its efforts to maintain its preeminent position in the world economy.

We continue to strongly support a National Highway System bill that furthers progress made by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). This Committee is to be commended for its role in developing truly visionary legislation in ISTEA. The NHS is a critical part of that vision. We note your continued leadership with the introduction last week of S. 440, a simple, straightforward bill to designate the NHS network, to allow the Secretary, in cooperation with the States and local officials, to make any needed system changes in the future, and, in the spirit of ISTEA, to allow some additional program flexibility.

The NHS, as it is currently proposed, contains just 4 percent of America's 4 million miles of public roads. But it carries over 40 percent of the Nation's highway traffic and 70 percent of the truck freight traffic. Seventy-four percent of the proposed system consists of rural roads, 26 percent of urban roads. Furthermore, 98 percent of all the roads that make up the NHS have already been built.

° *People* -- Ninety percent of the U.S. population lives within five miles of an NHS road. Ninety-three percent of small urban areas with populations of between 5,000 and 50,000 are within 5 miles of the system, as are *all* urbanized areas with populations over 50,000. The NHS, therefore, represents a truly national system of roads, serving all of the country, urban and rural.

° *Jobs* -- When we look at the NHS in relation to the Nation's 3000-plus counties, we also see a strong correlation between NHS routes and job locations.

First of all, 90 percent of U.S. counties have NHS mileage running through them. These counties, in turn, account for 99 percent of all of the jobs in the country, including, for example: 99 percent of all manufacturing jobs, 97 percent of the mining jobs, and 93 percent of all farming jobs.

Investment in the NHS, then, will provide nearly all Americans with improved access to work and markets, to ports, airports, transit and rail stations, to our national parks, and to other countries. By providing intermodal connections, the NHS will greatly increase the efficiency of our whole transportation network. The NHS thus represents an investment strategy that will provide our entire transportation system with the flexibility needed to cope with the changing "economic geography" for the 1990s and beyond. This is strategic investment.

- o *Travel and Tourism* -- The NHS provides direct connections to all of the most prominent National Parks such as Glacier National Park in Montana, the Grand Canyon in Arizona; Yosemite National Park in California; Yellowstone National Park in Wyoming; the Great Smokey Mountains in North Carolina; Mammoth Cave in Kentucky; Carlsbad Caverns in New Mexico; Rocky Mountain National Park in Colorado; and Shenandoah National Park in Virginia; and provides less direct service to many, many others.

We estimate that 80 percent of tourism travel in the United States occurs on our Nation's highways and that a major portion of this travel occurs on the NHS. In addition, the NHS provides the linkages between all major airports and other major intermodal terminals for those trips that involve multiple modes.

- o *Intermodalism* -- Our transportation infrastructure should no longer be viewed as a collection of individual modes competing with each other. It should instead be seen as a system, with each mode complementing the others. This evolution is evidenced by the marked increase in the number of "intermodal" carriers which rely on all forms of transportation to deliver the goods to consumers

in the most efficient manner possible. The NHS serves a vital role in providing essential linkages to other modes that help achieve a seamless transportation system for the movement of people and goods.

Congress foresaw the importance of the NHS in serving other modes of transportation by directing that the system include highways that provide access to major ports, airports, public transportation facilities, and other intermodal transportation centers. This is a vital element of the proposed NHS, and we are continuing to work with the States and the metropolitan planning organizations to ensure that the NHS fully meets this important objective.

Because of the importance of this element of the system and because the statewide and metropolitan planning processes required by the ISTEA are so critical to defining where these connections are needed, we have been looking more closely at these connections to ensure that they are included in the system. Work is currently underway, in cooperation with the State transportation agencies and the metropolitan planning organizations (and based on information from the statewide and metropolitan transportation planning processes) to validate the connections to major transportation terminals that were identified on the proposed system submitted in December 1993. This additional work will enhance the ability of the system to meet expanding economic growth and help our Nation thrive in the increasingly competitive global marketplace.

Close to eighty-five percent of the Nation's freight tonnage travels at least part of its journey over a highway. As American companies rely more and more on "just-in-time delivery" to get raw materials to plants, and as American wholesalers and retailers count on rapid delivery to keep their inventories lean -- the economic importance of an efficient national transportation infrastructure is increasing.

In the 1980s, U.S. businesses made dramatic improvements in productivity by lowering their logistics costs. Transportation alone accounted for over 46 percent of

these costs (\$277 billion). By improving the way they moved goods and provided services in the 1980s, U.S. firms saved about \$35 billion in transportation costs. They saved another \$30 billion in inventory space because, under the "just-in-time" system, inventory is "stored" in the transportation system.

Logistics-related costs of U.S. businesses will likely exceed \$600 billion per year throughout the 1990s, so the opportunity for infrastructure investments to produce shipping cost savings is still tremendous. For instance, an increase of just 1 percent in system-wide transportation efficiency would translate into more than \$100 billion in gains for the American economy within a decade.

The benefits of strategic investment in the NHS are clear. The 160,000-mile NHS is the cornerstone of our future highway network and the backbone of a national transportation system. Designation of the NHS will build on and help preserve a major national investment in our highways. Approval of the NHS will protect these billions of dollars worth of investment and assure that these roads will meet their users' needs for many years to come. I look forward to working with you on moving an NHS bill forward and I hope that bill will be as straightforward as possible. We oppose the funding of special demonstration projects as being inconsistent with our shared efforts to streamline our transportation programs, and to devolve decisionmaking authority to the States and localities.

REINVENTING DOT

Now, Mr. Chairman, I would like to turn to another of the Administration's top transportation priorities -- reinvention of the Department of Transportation. This issue is part of the larger debate over the proper role of government and how to make government work better and cost less. In December, President Clinton announced proposals to save \$24 billion over five years by reorganizing how five agencies, including DOT, deliver services. All the other agencies of the federal government are now undergoing the same type of scrutiny. The President said:

"We have to change yesterday's government and make it work for the America of today and tomorrow." We in the Administration and you in Congress share the same goal: to make government work better and to get government out of areas where it does not belong. To achieve this, we must examine how we have done things in the past and reinvent our mission in a more effective way. We must reduce government functions when they are no longer needed and streamline those that are essential. The challenge is to examine long-held ideas and be ready to change long-established practices when they have outlived their usefulness.

Success will begin with a look at individual agencies and programs. We at DOT have done that. The results are reflected in the President's Budget. As you know, the FY 1996 budget proposes major changes for DOT. The budget is about four things: a safe and efficient transportation system; a restructured and streamlined DOT to ensure that we can meet our commitment to the American people in a cost-effective way; the return of fundamental decisionmaking to States and cities; and reducing Federal spending.

This budget contains funding which is essential to provide the structure and connections that will allow our transportation system to be truly intermodal. The Congress, in passing the ISTEA, laid the foundation for flexibility in State and local transportation decisions. The FY 1996 budget proposal takes ISTEA to its next level. States and localities are telling us that they can best make their own infrastructure decisions. This budget will help them do that. It will reinforce the importance of planning and intermodal cooperation and it also provides the resources to support DOT's safety mission.

The Department of Transportation's reinvention plans include consolidation of categorical infrastructure and operating assistance grant programs and related research and development and administrative costs into a block grant-type program called the Unified Transportation Infrastructure Investment Program (UTIIP). This

reinvention also includes a reorganization of the Department into a streamlined structure. In addition to an Aviation Administration and the United States Coast Guard, a new organization -- an Intermodal Transportation Administration -- would be created to carry out the functions currently handled by relatively autonomous DOT modal Administrations.

While the details of the reinvention plan are still being developed, the overall approach has been announced. The President's proposal would structure the new UTIIP in two parts--Federal activities and State and local activities--and reflects the Administration's initiative to shift programs to State and local decisionmaking. All activities of the UTIIP will be funded from a new Transportation Trust Fund. The new trust fund would combine the Highway Trust Fund and Airport and Airways Trust Fund but maintain separate surface and aviation accounts. This proposal also underscores our emphasis on highway and motor carrier safety by including a set aside in this area.

As a reflection of the national interest in the National Highway System, the restructured program dedicates funds to the NHS to ensure that the condition and performance of the NHS is maintained. NHS funds will retain their flexibility, too, allowing States to transfer NHS funds according to ISTEA guidelines.

Under the direct Federal portion of the UTIIP, \$442 million is authorized for roads on Federal lands, in recognition of the unique Federal responsibility for these roads. The UTIIP will also include a Unified Allocation Grant which the States and localities will be allowed to use for transportation projects, according to their priorities. Federal-aid highways will be eligible under this category.

With regard to transit, the programs of the Federal Transit Administration would be funded by the UTIIP. This would include \$500 million for formula Operating Assistance; other programs heretofore funded under formula grants -- Urban Capital, Non-urban, and Elderly and Disabled -- will be eligible for funding

under the UTIIP. Furthermore, \$725 million for new starts under Full Funding Grant Agreements would be funded under the UTIIP. Other current types of discretionary Grants, for rail modernization, buses, and bus facilities, would be eligible for funding under the UTIIP.

Finally, the States will have the opportunity to use Federal transportation funds to leverage investment from the private sector. The State Infrastructure Banks (SIBs), which will be funded at a \$2 billion level, have been proposed to encourage innovative infrastructure financing and to encourage private investment. It is estimated that an additional \$2 to \$4 billion will be leveraged by the SIBs. We believe many needed highway and other transportation projects will be built as result of the SIBs.

ISTEA IMPLEMENTATION

I would like to briefly mention some of the ways in which DOT is already building on the successes of ISTEA. I am proud to be a part of an Administration that has fully supported the goals of ISTEA. Effective collaboration among Federal, State, regional, and local governments is essential to achieving our effective and efficient intermodal system and the development of transportation that serves our Nation into the 21st century.

Flexible Funding -- Our proposed reorganization plan is centered around a significant change brought about by ISTEA. The "flexible funding" provisions have allowed decisionmakers at the State or regional level to decide for themselves whether to allocate transportation funds to highway or transit projects. ISTEA provided for a potential \$70 billion in such flexible funding over six years for transit or highway projects. The following amounts have been transferred to date for transit projects: in FY 1992, \$301.5 million; in FY 1993, \$469 million; and some \$600 million in FY 1994. Of this \$1.4 billion total, \$792 million (58 percent) have come from the Congestion Mitigation and Air Quality Improvement Program

The Partnership for Transportation Investment -- Continuing the President's efforts to reinvent government and make federal dollars go further, last month Secretary Peña announced 35 transportation projects in 21 States valued at nearly \$2 billion, made possible under a new DOT initiative. The Partnership for Transportation Investment uses new and innovative finance methods to launch critical transportation projects nationwide without additional Federal resources, by cutting red tape and giving States more flexibility in securing investment for highway, rail, transit, and other transportation construction. A number of these innovative projects are on the NHS. One intermodal example in Michigan is a highway interchange for I-94 that will improve access to the Detroit Metropolitan Airport. The State will use private matching funds toward its share of project costs.

The transit program is also encouraging its recipients to consider innovative financing techniques to help them maximize the use of their Federal and local funds. To this end, the FTA published a notice in the *Federal Register* last September soliciting project proposals and ideas from transit operators, States, and the public and private sector about how we can stretch our scarce Federal resources. The FTA has been reviewing that information and particularly wants to identify obstacles to the innovative financing of transit capital or operating needs, as well as local proposals to demonstrate or test innovative financing mechanisms.

Intelligent Transportation Systems -- This multi-modal program has made advances in several major areas. We have established a Joint ITS office with responsibility for planning and oversight of all DOT ITS activities. The Operational Testing and Priority Corridors programs, designed to test innovative technologies under "real world" conditions, have provided information on those technologies and services that will soon be ready for widespread deployment. The Early Deployment Planning studies and the Commercial Vehicle Operations (CVO) institutional studies involving every State have set the foundation for regional deployments. These

studies have also positioned us to now begin demonstrating model deployments of regional traveler information in several metropolitan areas and electronic clearance for commercial vehicles along several major interstate highway corridors. To that end, our budget request seeks \$100 million for an initiative to move this effort forward. Research that will pay off near the turn of the century (e.g., crash avoidance systems and traffic adaptive signal control systems) and in the next century (e.g. the automated highway system) is also well underway.

°Transportation Planning -- The Department is actively encouraging improvements in the transportation planning process to address ISTEA requirements, including provisions for public involvement, and is committed to making the Metropolitan Transportation Planning process work. The FHWA and FTA are working together to ensure that the certification process for all transportation management areas is completed by October 1, 1996, and are also conducting enhanced planning reviews in a number of the larger metropolitan areas to identify needed improvements in planning processes and products; to identify and highlight exemplary processes; and to provide technical assistance where needed. A major improvement effort is underway to improve existing travel models, and to develop new models to better respond to the requirements of ISTEA and the Clean Air Act. In addition to DOT, funding for this multi-year effort is being provided by the Environmental Protection Agency and a number of States through a pooled fund project. The FHWA and FTA recently issued a joint public involvement policy and guidance materials including a notebook on public involvement techniques for transportation planning.

Many of the ISTEA initiatives - large and small -- provided the impetus for beginning work on the National Transportation System (NTS) which was announced by Secretary Peña at the time the NHS was unveiled in December 1993. An integral part of the NTS process was an extensive outreach effort to conduct a dialogue on transportation priorities and the Federal role in meeting those needs.

As a result of our findings during that outreach, the Department focused the NTS initiative on the development of system performance measurement and analysis capability which would help us upgrade the efficiency, convenience and reliability of the Nation's entire transportation system.

We have begun activities to identify performance measures and to develop data systems and analytical capability that will help us understand better how transportation functions as an integrated network as well as the impact of national-level projects on system performance. This perspective replicates more accurately the views of the users of the system. These analytical tools will enable us to identify policies, plans and strategies that will meet users' needs more effectively. We will be working with State and local transportation authorities and other members of the transportation community in this process.

In our view the continuation of these NTS activities is entirely consistent with and supportive of the restructuring which we have proposed. The development of system performance measures will play an integral role in the transportation performance partnerships and will help us to select the best uses for discretionary funds.

SAFETY

Let me also briefly mention some important improvements in the highway safety area. We encourage you to continue supporting a strong Federal role in highway safety, as enacted in ISTEA and in legislation pre-dating ISTEA. Provisions such as those encouraging States to adopt minimum drinking age laws, safety belt and motorcycle helmet laws, and sensible speed limits have helped save countless lives and dollars annually. For example, statistics show that the national minimum drinking age has saved almost 14,000 lives since 1975. Every year these laws prevent 800 deaths and 10,900 injuries and save \$1.7 billion in economic costs alone.

Instead of withholding funds from States, ISTEA provided an incentive for States to enact safety measures. It provided for a limited transfer of certain highway funds to a State's highway safety program if a State fails to enact basic laws requiring safety belt and motorcycle helmet use. ISTEA established this limited transfer to make up for the lack of these laws. We believe such a provision is a constructive way to encourage States to enact two of the most basic safety laws -- laws that save lives, reduce injuries, and reduce national health care costs by millions of dollars annually. Congress enacted these provisions to save lives and prevent injuries, and they are succeeding. We would oppose efforts to weaken these provisions. The last time the Federal government retreated from a strong position in support of motorcycle helmet use laws, 27 States repealed their all-rider helmet laws and motorcycle fatalities increased 61 percent.

We estimate that these safety programs save approximately \$18 billion every year. If these savings are eroded -- as would clearly occur if Federal leadership in these areas is diminished -- injuries and fatalities will unfortunately increase as will the costs of health care, welfare, and public assistance programs.

We commend your leadership in support of these programs; it has laid the foundation for our Nation's record low fatality rate. We look forward to working with you, Mr. Chairman, and this Committee, for continued progress on these measures which save lives and reduce injuries.

CONCLUSION

The DOT is reinventing itself to better serve the transportation needs of a nation facing the dawn of a new century. We hope you will join with us in our efforts to focus resources more sharply on our fundamental missions: ensuring the safety of the traveling public, investing in transportation infrastructure, and maintaining national security.

A nation facing rapid change needs a first-rate transportation system in order to succeed. Approval of the NHS is central to such a system. Failure to designate the NHS by September 30, however, will result in the withholding of billions of Federal dollars from the States and the postponement of critically needed transportation improvements. We applaud you, Mr. Chairman, for holding this hearing early in the new Congress and for introducing your NHS designation bill, S. 440. We will work with you every way we can to help make the NHS a reality.

Thank you. My colleagues and I will be happy to answer any questions you may have.

####